

**GAO**

Report to the Chairman, Committee on  
Government Reform, House of  
Representatives

July 2000

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# INFORMATION TECHNOLOGY

## Selected Agencies' Use of Commercial Off-the-Shelf Software for Human Resources Functions



**G A O**

Accountability \* Integrity \* Reliability





United States General Accounting Office  
Washington, D.C. 20548

Accounting and Information  
Management Division

B-285087

July 31, 2000

The Honorable Dan Burton  
Chairman, Committee on Government Reform  
House of Representatives

Dear Mr. Chairman:

Commercial off-the-shelf (COTS) systems and applications for human resources (HR) functions are automated tools that can help streamline management activities such as position management and classification, recruitment and staffing, personnel action administration, benefits administration, labor management and employee relations, and workforce development. In response to your request, we reviewed the use of COTS software applications to improve HR functions within federal agencies. You requested that we review the Department of Health and Human Services' (HHS) Centers for Disease Control and Prevention (CDC) and the Department of Veterans Affairs (VA); we chose three other agencies—the Department of Defense (DOD), the General Services Administration (GSA), and the Department of Labor (DOL)—based on their size and type of COTS products used.

Accordingly, our objectives were to (1) determine how the five agencies were using COTS systems/applications to improve their HR functions, and (2) for these five agencies, identify the agencies' reported estimated costs and expected benefits from using HR COTS systems.

In our review, we determined that the five agencies have acquired the services of two primary HR COTS vendors—Oracle and PeopleSoft—to provide most of the functional system requirements called for by the federal Joint Financial Management Improvement Program (JFMIP),<sup>1</sup> which issued a common set of human resources and payroll systems requirements. In addition, DOD, CDC, and VA have contracted with other vendors, such as Avue and Resumix, to augment the services of the primary vendors in areas such as recruitment.

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<sup>1</sup>A joint undertaking of the Department of the Treasury, the Office of Management and Budget, the Office of Personnel Management, and GAO. JFMIP's mission is to work cooperatively to improve financial management practices in government.

To determine HR system capabilities and assess the basis for investment decision-making, we used criteria from the Government Performance and Results Act of 1993, the Clinger-Cohen Act of 1996, and JFMIP's Human Resources and Payroll Systems Requirements of April 1999. We reviewed documentation of the five agencies' efforts to use the HR COTS systems and interviewed HR and information technology (IT) officials about their applications. We also observed demonstrations of implemented or planned systems. We did not verify cost or benefit information provided by the agencies. Finally, we provided representatives of the five agencies with draft copies of the slides pertaining to their individual agencies; clarifications and corrections have been made as appropriate.

On July 17, 2000, we briefed your staff on the results of our work, and this report summarizes those results. The briefing slides are included as appendix I.

We performed our work at the Washington, D.C., headquarters of each agency, as well as at the Atlanta headquarters of CDC, from February through July 2000, in accordance with generally accepted government auditing standards.

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## Results in Brief

DOD, GSA, HHS/CDC, Labor, and VA all have efforts underway to use COTS systems and applications to improve their HR functions. Quantifiable benefits expected included requiring fewer employees to perform HR functions, reducing manager time for transactions and data analysis, eliminating duplicative or multiple systems, and implementing self-service HR functions, such as employee changes to health and life insurance benefits. Nonquantifiable benefits expected included a more user-friendly environment, easier manager/employee access, better decision-making and data analysis, improved data accuracy, and better information sharing. Despite these expectations, four of the five agencies' systems efforts have encountered delays, while three of the four agencies have increased cost estimates. To date, three of the five agencies—DOD, Labor, and VA—have reportedly achieved quantifiable benefits, such as full-time equivalent (FTE) reductions from their HR COTS systems or related efforts.

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## Department of Defense

Based on a 1994 study, DOD decided to move to regional servicing of its civilian personnel and a single, integrated information system, referred to as the modern Defense Civilian Personnel Data System, that—when fully

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implemented—is expected to contain records for about 800,000 employees. DOD expects the quantifiable benefits to include enhanced productivity requiring fewer field employees and the ability of personnel specialists to service greater numbers of customers: from 1 for every 60 employees in 1996, to 1 for every 77 this year, to 1 for every 88 in 2001. Nonquantifiable benefits expected include providing improved data to the DOD payroll system and a more responsive, open systems environment.

According to DOD, the system was originally expected to be deployed by September 1999; however, the current estimate is March 2001 because of the need for additional testing and a delay in internal DOD committee approval. The estimated cost has grown by \$248 million to about \$1.3 billion, while estimated quantifiable benefits have decreased by \$340 million, to about \$2.4 billion. Cost increases were attributed to developmental delays, vendor revisions to the COTS products, and limited customization. Estimated monetary benefits have decreased, according to DOD, because of increased regionalization costs and delayed implementation of the modernized system.

To date, the system has been implemented at 3 of 25 regional/centralized servicing sites. Total project costs reported, as of September 30, 1999, were \$351 million; total quantifiable benefits as of that date were \$123 million.

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## General Services Administration

In 1996, GSA began to plan for a new, integrated HR/payroll system, referred to as the Comprehensive Human Resources Integrated System, to replace its current legacy system. GSA expects fiscal year 2001 quantifiable benefits to be \$4.5 million, due to reduced costs for such activities as transaction processing in HR offices, external recruitment, and internal competitive staffing. Nonquantifiable benefits expected include more timely report generation, better data control, and increased manager and employee satisfaction.

The system is expected to be deployed next month, an 8-month delay from original estimates. According to GSA, this delay was caused by a lack of maturity in the Oracle product relative to the HR needs of federal agencies, a lack of skilled resources, and GSA's decision to implement the system with internal staff. System cost is estimated at \$34 million.

At present, GSA is conducting parallel testing of the old and new systems. The first test was completed on June 21, and the testing is continuing. Pilot testing of some of the HR COTS products supporting the new system is

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taking place in GSA's national capital region. As of December 6, 1999, total reported costs incurred were \$20 million.

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## Department of Health and Human Services

HHS' aging legacy system was the driving force behind the October 1999 initiation of a new system to improve HR/payroll operations, called the Enterprise Human Resource Project, which will be used at CDC. The new system is a global module intended to allow customers to build fully integrated HR processes and databases that are shared across the department. Savings of \$127 million are expected from having flexible processes to use in HR actions and eliminating duplicative systems in various operating divisions. Nonquantifiable benefits expected include improved decision-making and data analysis, trend analysis, insight into combined civilian and commissioned officer personnel data, assurance of regulatory compliance, and more customer satisfaction.

Work on the new system started in October 1999, with HHS approving continued work on June 2, 2000. System deployment is expected in February 2003. The cost to build the system is set at \$214 million, and total costs incurred as of June 30, 2000, were reported as \$2.2 million.

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## Department of Labor

In 1998, Labor initiated a new, integrated HR/payroll system—referred to as PeoplePower—after it was informed that its legacy HR system, an Air Force personnel system, would not be made Year 2000 compliant. The department expects quantifiable benefits of \$226 million by replacing multiple systems with a single system and reducing a number of FTEs over 15 years. Nonquantifiable benefits expected include increased efficiency due to reduction in cycle time, better information, higher staff satisfaction, and time for more value-added work.

Work on the new system started in February 1998; full system deployment is running 1 year late, now projected for September 2002. According to Labor, this delay was caused by its decision to reexamine payroll alternatives. The initial cost was estimated at \$26.5 million, based on a 5-year time frame for system implementation. The estimated total cost has now risen to \$71 million because, according to Labor, it did not initially account for operating costs after the system is fully deployed and because it underestimated implementation costs, including database, hardware, and end-user equipment needs. Further adding to the increase, according to the department, were (1) lack of maturity of the vendor's COTS application and

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(2) technical programming staff charges and billing rates that were higher than expected.

The new system has already replaced the legacy HR system and currently supports Labor processes for personnel actions, benefits administration, training administration, position management, automated workflow, workforce analysis, and HR reporting. As of June 30, 2000, reported costs incurred totaled \$15.3 million, while reported savings were estimated at \$3 million due to the elimination of about 30 FTEs.

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## Department of Veterans Affairs

VA's new system, referred to as HR LINKS, was initiated in October 1994 to replace a 30-year-old legacy system; the new system is expected to incorporate HR and payroll and include managers' and employees' modules—and a presence at VA headquarters and at each field office. The system is intended to push transaction processing to the lowest appropriate level, changing HR from a gatekeeper role to one of strategic partner. Quantifiable benefits are estimated at \$664 million; nonquantifiable benefits expected include employee and manager self-servicing, VA-wide information sharing, and the "One VA" vision being achieved through integrating HR and payroll processes.

System development began in 1994; system deployment is now expected to be completed in September 2001—2 years later than originally planned. VA attributes the delay to union negotiations, cultural change, additional development and testing, and the desire for a seamless integration of all COTS and custom-designed applications. The total estimated cost has risen as well: from \$170 million to \$417 million. This rise, according to VA, is due to inflation and cost overruns stemming from unanticipated expenditures for extended development time frames, software maintenance for an added 2 years, additional shared service center equipment, more marketing and contractor services, upgrades to primary vendor software, and regulatory changes to self-service functionality.

The shared service center was opened in February 1998; employee self-servicing has been deployed, along with other personnel modules; and total reported expenditures were \$147 million as of March 30. Quantifiable benefits as of that date were reported as \$172 million.

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As agreed with your office, we will not distribute this report until 30 days after its issue date. At that time, we will send copies to Representative Henry A. Waxman, Ranking Minority Member, Committee on Government Reform; the Honorable David J. Barram, Administrator of General Services Administration; the Honorable William S. Cohen, the Secretary of Defense; the Honorable Hershel W. Gober, the Acting Secretary of Veterans Affairs; the Honorable Alexis M. Herman, the Secretary of Labor; Jeffrey P. Koplan, Director, Centers for Disease Control and Prevention; the Honorable Jacob J. Lew, Director, Office of Management and Budget; and the Honorable Donna E. Shalala, the Secretary of Health and Human Services. Copies will also be made available to others upon request.

Should you have any questions on matters discussed in this report, please contact me at (202) 512-6253 or Helen Lew, Assistant Director, at (202) 512-9356. We can also be reached by e-mail at [willemsenj.aimd@gao.gov](mailto:willemsenj.aimd@gao.gov) and [lewh.aimd@gao.gov](mailto:lewh.aimd@gao.gov), respectively. Key contributors to this report were Nabajyoti Barkakati, Mary J. Dorsey, Michael P. Fruitman, Amanda C. Gill, Pamtricia Greenleaf, Robert G. Kershaw, and Michael R. Sanchez.

Sincerely yours,

A handwritten signature in cursive script that reads "Joel Willemsen". The signature is written in black ink and is positioned above the typed name and title.

Joel C. Willemsen  
Director, Civil Agencies Information Systems

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# July 17, 2000, Briefing to House Committee on Government Reform



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## HUMAN RESOURCES COMMERCIAL-OFF-THE-SHELF APPLICATIONS AT SELECTED FEDERAL AGENCIES

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Briefing for Staff of the  
Committee on Government Reform  
House of Representatives

July 17, 2000

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## OVERVIEW

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- Objectives, scope, and methodology
  - Background
  - Summary of agency human resources (HR) systems and commercial-off-the-shelf (COTS) vendors
  - Agency HR COTS summaries
    - Department of Defense (DOD)
    - General Services Administration (GSA)
    - Department of Health and Human Services (HHS) which includes the Centers for Disease Control and Prevention (CDC)
    - Department of Labor (DOL)
    - Department of Veterans Affairs (VA)
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## **OBJECTIVES**

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- Determine how five federal agencies—DOD, GSA, HHS/ CDC, DOL, and VA—are using COTS systems/applications to improve their HR functions
- For these five agencies, identify reported estimated costs and expected benefits from using HR COTS systems/applications



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## SCOPE

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- Performed work at the Washington, D.C., headquarters offices of DOD, GSA, HHS, DOL, and VA
    - Committee identified two agencies—VA and HHS/CDC
    - We selected three remaining agencies based on size and type of COTS products being used
  - Performed work at the headquarters office of CDC in Atlanta
  - Performed work in accordance with generally accepted government auditing standards
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## SCOPE

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- Used criteria from the Government Performance and Results Act of 1993, the Clinger-Cohen Act of 1996, and Joint Financial Management Improvement Program's (JFMIP) Human Resources and Payroll Systems Requirements of April 1999 to determine HR system capabilities and basis of investment decisions
  - Reviewed documentation of the five agencies' efforts to use HR COTS systems/applications
  - Observed demonstrations of the HR COTS systems implemented or planned by the five agencies
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## METHODOLOGY

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- Interviewed HR and information technology (IT) officials at the five agencies about their HR COTS systems/applications
- Observed demonstrations of the HR products by the primary and supporting HR vendors under contract to the agencies
- Did not verify agencies' reported costs and benefits
- Updated information through July 27, 2000, and included as appropriate



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## BACKGROUND

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HR COTS systems/applications are commercially available automated tools that can help streamline human resources management activities, including position management and classification, recruitment and staffing, personnel action administration, benefits administration, labor management and employee relations, and workforce development



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## BACKGROUND

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- The five agencies in our review have acquired the services of two primary HR COTS vendors—Oracle and PeopleSoft—to provide most of the HR functional system requirements called for by JFMIP
  - Some of the agencies have also acquired the services of other HR COTS vendors—Avue and Resumix—to augment the services of primary vendors in areas such as recruitment
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## SUMMARY OF AGENCY HR SYSTEMS AND COTS VENDORS

| <b>Agency</b> | <b>Name of System</b>                                   | <b>Vendors</b>                     |
|---------------|---|------------------------------------|
| DOD           | Modern Defense Civilian Personnel Data System (DCPDS)   | Oracle, Resumix                    |
| GSA           | Comprehensive Human Resources Integrated System (CHRIS) | Oracle                             |
| HHS/CDC       | Enterprise Human Resources and Payroll Project (EHRP)   | PeopleSoft (Avue & Resumix at CDC) |
| Labor         | PeoplePower   | PeopleSoft                         |
| VA            | HR LINK\$   | PeopleSoft, Avue                   |



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## AGENCY HR COTS SUMMARY—DEFENSE

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### System Description

- Based on a September 1994 study, DOD decided to move to regional servicing and migrate the Defense Civilian Personnel Data System (DCPDS) to a modern environment, supported by a single, integrated information system
- When fully implemented, the modern DCPDS is expected to contain records for approximately 800,000 employees and be used in 25 regional/centralized servicing offices and 300 customer support units. Managers at installations will have access to the system



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## AGENCY HR COTS SUMMARY—DEFENSE

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### System Description (cont'd)

- HR COTS applications in the modern DCPDS address position management, recruiting and referrals, personnel action administration, labor management and employee relations, and workforce development. DOD has supplemented its core HR COTS system with DOD-developed applications and stand-alone modules



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## AGENCY HR COTS SUMMARY—DEFENSE

(CONTINUED)

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### Reported Estimated Costs, Benefits, Milestones

| Item                                   | Original              | Current              | Difference   |
|--|-----------------------|----------------------|--------------|
| System life (years)                    | 15                    | 16                   | 1            |
| Milestones<br>Initiation<br>Deployment | May 1995<br>Sept 1999 | May 1995<br>Mar 2001 | -<br>18 mos. |
| Cost                                   | \$1,085M              | \$1,333M             | \$248M       |
| Quantifiable benefits                  | \$2,737M              | \$2,397M             | (\$340M)     |



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## AGENCY HR COTS SUMMARY—DEFENSE

(CONTINUED)

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### Differences in Milestones

- DOD reported that full implementation was delayed until March 2001 due to a variety of reasons, including unanticipated additional testing and a delay in receiving milestone III\* approval

\*Milestone III approval involves an internal DOD committee review of systems in limited production and/or development

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## **AGENCY HR COTS SUMMARY—DEFENSE**

(CONTINUED)

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### **Differences in Costs**

- DOD reported that estimated costs have increased because of developmental delays, vendor revisions to the federal and HR COTS products, and limited customization

### **Differences in Benefits**

- DOD reported that estimated benefits have decreased because of increased regionalization costs and delayed deployment of modern DCPDS
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## AGENCY HR COTS SUMMARY—DEFENSE

(CONTINUED)

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### Quantifiable Benefits Expected

- Productivity enhancements (i.e. performing the same HR function with fewer resources) due to reduction of field HR personnel facilitated by regionalization and DCPDS modernization
- DOD expected to continue to improve the ratio of personnelists to employees serviced
  - January 1996: 1 to 60
  - June 2000: 1 to 77
  - March 2001: 1 to 88



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## AGENCY HR COTS SUMMARY—DEFENSE

(CONTINUED)

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### Nonquantifiable Benefits Expected

- Supports regionalization of civilian personnel offices and eliminates redundant component systems and operations
  - Improves data provided to payroll system and reduces reliance on paper documents and files
  - Creates user-friendly, open systems environment and improves responsiveness to customers
  - Extends system access to managers and, eventually, to employees
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## AGENCY HR COTS SUMMARY—DEFENSE

(CONTINUED)

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### Project Status to Date

- Implemented at 3 of 25 sites
- Total reported modernization and regionalization costs incurred as of September 30, 1999: \$351M\*
- Total reported quantifiable benefits achieved from regionalization as of September 30, 1999: \$123M

\* DOD officials later told us that of the \$351M incurred as of September 30, 1999, \$172M was for modernization



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## AGENCY HR COTS SUMMARY—GSA

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### System Description

- Comprehensive Human Resources Integrated System (CHRIS) was initiated in October 1996 and is designed to replace the current personnel legacy system
- GSA is developing CHRIS as an integrated HR/payroll management system. CHRIS is expected to support personnel requirements in the areas of recruiting, staff, compensation, benefits, and personnel processing and management



**AGENCY HR COTS SUMMARY—GSA**  
 (CONTINUED)

**Reported Estimated Costs, Benefits, Milestones**

| Item                                   | Original             | Current              | Difference     |
|--|----------------------|----------------------|----------------|
| System life* (years)                   | 6                    | 6                    | --             |
| Milestones<br>Initiation<br>Deployment | Oct 1996<br>Dec 1999 | Oct 1996<br>Aug 2000 | --<br>8 months |
| Cost                                   | \$34M                | \$34M                | --             |
| Quantifiable benefits                  | \$4.5M (FY2001)      | \$4.5M (FY2001)      | --             |

\*GSA views system life as beginning with operation in August 2000



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## AGENCY HR COTS SUMMARY—GSA

(CONTINUED)

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### Differences in Milestones

- Eight-month delay in completion date due to lack of maturity in the Oracle product relative to federal needs, according to GSA
- Project delays due to lack of skilled resources and GSA's decision to implement system with internal staff, according to the CHRIS project manager



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## AGENCY HR COTS SUMMARY—GSA

(CONTINUED)

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### Quantifiable Benefits Expected

- Estimated cost avoidance in FY 2001: \$4.5M
    - Eliminates cost associated with old legacy system
    - Reduces cost of transaction processing in HR offices
    - Reduces cost of external recruitment and internal competitive staffing
    - Reduces customer support staff time for transaction processing and data acquisition
    - Reduces manager time for transactions and data analysis
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## AGENCY HR COTS SUMMARY—GSA

(CONTINUED)

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### Nonquantifiable Benefits Expected

- Reports generated on a more timely basis
- Better control of data
- Increased manager and employee satisfaction with reports, query capability, accuracy of data, and self-service capability
- Increased manager satisfaction with results of recruitment process



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## AGENCY HR COTS SUMMARY—GSA

(CONTINUED)

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### Project Status to Date

- GSA expects CHRIS to be operational in August 2000
- First parallel testing with CHRIS and legacy system completed on June 21, 2000
- CHRIS is currently in second parallel testing
- Pilot testing of Avue's COHO (position classification and management) and Chinook (employee relations) modules in GSA's National Capital Region
- Total reported costs incurred as of December 6, 1999: \$20M



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## AGENCY HR COTS SUMMARY—HHS/CDC

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### System Description

- The Enterprise Human Resource Project (EHRP) was initiated in October 1999 to improve the efficiency and effectiveness of HHS' human resources and payroll operations. One of the primary factors driving this effort was HHS' aging legacy system
- EHRP is intended to implement the PeopleSoft HR COTS, which is a global module intended to permit customers to build fully integrated HR processes and databases that are shared across the enterprise



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## AGENCY HR COTS SUMMARY—HHS/CDC (CONTINUED)

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### System Description (cont'd)

- EHRP is expected to provide tools allowing:
  - managers to strategically manage their workforce
  - human resource staff to efficiently perform core functions
  - employees to enter data and change specific personal information from their desktops
  - the agency to enhance HR/payroll operations, reduce its dependence on paper processes, and reduce the number of duplicative systems in use



**AGENCY HR COTS SUMMARY—HHS/CDC**  
 (CONTINUED)

**Reported Estimated Costs, Benefits, Milestones**

| Item                  | Original | Current  | Difference |
|-----------------------|----------|----------|------------|
| System life* (years)  | 10       | 10       | --         |
| Milestones            |          |          |            |
| Initiation            | Oct 1999 | Oct 1999 | --         |
| Deployment            | Feb 2003 | Feb 2003 | --         |
| Cost                  | \$214M   | \$214M   | --         |
| Quantifiable benefits | \$127M   | \$127M   | --         |

\*HHS views system life beginning with full operational capability in FY 2003



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## AGENCY HR COTS SUMMARY—HHS/CDC (CONTINUED)

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### Quantifiable Benefits Expected

- Implementation of EHRP is expected to provide cost savings and flexibility in processes used to initiate, manage, and monitor HR actions
- EHRP implementation is expected to enable operating divisions to eliminate duplicative personnel systems within their organizations. Overall operations and maintenance cost for HHS can also be reduced because fewer systems will need to be maintained



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## AGENCY HR COTS SUMMARY—HHS/CDC

(CONTINUED)

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### Nonquantifiable Benefits Expected

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- Improve decision-making and data analysis
  - Provide organization and trend analysis
  - Offer added features and functionality
  - Provide insight to combined civilian and commissioned officer personnel data
  - Improve data accuracy and reporting capability
  - Provide assurance of regulatory compliance
  - Increase user-friendliness and customer satisfaction
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## AGENCY HR COTS SUMMARY—HHS/CDC (CONTINUED)

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### Project Status to Date

- HHS approval to continue work on EHRP was given on June 2, 2000
- Preparing for PeopleSoft Release 8
- Total reported cost incurred as of June 30, 2000: \$2.2M



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## AGENCY HR COTS SUMMARY—LABOR

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### System Description

- PeoplePower was initiated in February 1998 because the legacy HR system (Air Force personnel system) was not Y2K compliant and did not support Labor's vision
  - PeoplePower was intended to be an integrated Web-enabled HR/payroll system based on PeopleSoft's Federal HR & Payroll COTS
  - PeoplePower has replaced the legacy HR system with added functionality. It now supports Labor's processes for personnel actions, benefits administration, training administration, position management, automated workflow, workforce analysis, and HR reporting
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**AGENCY HR COTS SUMMARY—LABOR**  
 (CONTINUED)

**Reported Estimated Costs, Benefits, Milestones**

| Item                                   | Original              | Current               | Difference     |
|--|-----------------------|-----------------------|----------------|
| System life (years)                    | 5*                    | 15**                  | Not comparable |
| Milestones<br>Initiation<br>Deployment | Feb 1998<br>Sept 2001 | Feb 1998<br>Sept 2002 | --<br>1 year   |
| Cost                                   | \$26.5M*              | \$71M**               | Not comparable |
| Quantifiable benefits                  | Not estimated         | \$226M                | Not comparable |

\* Based on DOL estimates of time and effort to develop and deploy system, not to operate system over its useful life

\*\* Current DOL estimates include time and cost to develop, deploy, and operate system over its 15-year system life



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## AGENCY HR COTS SUMMARY—LABOR

(CONTINUED)

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### Differences in Milestones

- According to Labor, the 1-year delay is due to its decision to reexamine payroll alternatives

### Differences in Cost

- According to Labor, differences in cost are due to (1) not initially accounting for operating costs in years after the system is fully developed and deployed, and (2) underestimating effort to implement HR COTS product, including costs to address
    - Database, hardware, and end user equipment needs
    - Lack of maturity of the PeopleSoft Federal COTS products
    - Technical programming staff charges and billing rates higher than for older technology systems
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## AGENCY HR COTS SUMMARY—LABOR

(CONTINUED)

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### Quantifiable Benefits Expected

- Reduce costs
  - Reduce/eliminate handoffs and reconciliation tasks by replacing multiple systems with one integrated system
  - Reduce number of FTEs\* in human resources, payroll, and budget areas

\* Although DOL officials provided us with an unofficial estimate of FTE reductions, they later told us that DOL is unable to provide an official estimate



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## AGENCY HR COTS SUMMARY—LABOR

(CONTINUED)

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### Nonquantifiable Benefits Expected

- Increase efficiency due to cycle time reductions
- Improve access to and accuracy of information
- Enhance availability and quality of information
- Increase HR staff, manager, and employee satisfaction
- Create time for more important, valued-added work



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## AGENCY HR COTS SUMMARY—LABOR

(CONTINUED)

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### Project Status to Date

- Replaced legacy HR system functionality in June 1999
  - Added workflow, training, position budget management, analytical reporting, and a system upgrade in March 2000
  - PeopleSoft Payroll on hold pending review of alternatives
  - Numerous benefits already achieved, according to DOL  
(improvements in efficiency; timeliness; quality, accuracy, control, and accessibility of data; use of system for management, budgeting, and strategic planning; and freeing up time for more important, valued-added work)
  - Total reported costs incurred as of June 30, 2000: \$15.3M
  - Reported savings as of June 30, 2000, due to task reductions: \$3M (eliminated need for about 30 FTEs)
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## AGENCY HR COTS SUMMARY—VETERANS AFFAIRS

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### System Description

- HR LINK\$ was initiated in October 1994 to replace VA's 30-year old legacy HR and payroll system
- HR LINK\$ incorporates a COTS HR and payroll solution; and is to consolidate, integrate, and standardize HR and payroll business processes across the department. It includes employees' self-service and managers' self-service modules, a shared service center in Topeka, Kansas, and an on-site strategic HR presence at headquarters and each field office



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## AGENCY HR COTS SUMMARY—VETERANS AFFAIRS (CONTINUED)

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### System Description (cont'd)

- HR LINK\$' goals include
  - reengineering HR/payroll service delivery processes
  - moving the HR function from the role of gatekeeper to that of strategic partner
  - pushing transaction processing to the lowest appropriate level, and
  - maximizing use of technology and COTS products to automate manual processes and eliminate paper



**AGENCY HR COTS SUMMARY—VETERANS  
 AFFAIRS**  
 (CONTINUED)

**Reported Estimated Costs, Benefits, Milestones**

| Item                                   | Original              | Current               | Difference    |
|--|-----------------------|-----------------------|---------------|
| System life (years)                    | 12                    | 12                    | --            |
| Milestones<br>Initiation<br>Deployment | Oct 1994<br>Sept 1999 | Oct 1994<br>Sept 2001 | --<br>2 years |
| Cost                                   | \$170M                | \$417M                | \$247M        |
| Quantifiable benefits                  | \$624M                | \$664M                | \$ 40M        |



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## AGENCY HR COTS SUMMARY—VETERANS AFFAIRS (CONTINUED)

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### Differences in Milestones

- According to VA, two-year delay due to
  - union negotiations/agreements
  - cultural changes
  - additional development/testing to achieve VA sizing and workload requirements
  - seamless integration of all COTS and custom-designed applications



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## AGENCY HR COTS SUMMARY—VETERANS AFFAIRS (CONTINUED)

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### Differences in Cost

- According to VA, difference of \$247 million attributable to a variety of factors, including
  - Inflation
  - Cost overruns due to unanticipated expenditures for
    - extended development timeframes
    - software maintenance for the extended 2 years
    - additional shared service center equipment
    - additional marketing and contractor services
    - upgrades to primary HR vendor software
    - regulatory changes to self-service functionality



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## **AGENCY HR COTS SUMMARY—VETERANS AFFAIRS**

(CONTINUED)

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### **Differences in Quantifiable Benefits**

- Longer period of time to achieve FTE savings due to extended development/implementation timeframes, according to VA officials

### **Quantifiable Benefits Expected**

- Reduced FTEs due to reengineering HR processes and implementing self-service HR capabilities
  - Cost avoidance relating to maintenance and operational costs associated with legacy system
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## **AGENCY HR COTS SUMMARY—VETERANS AFFAIRS**

(CONTINUED)

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### **Nonquantifiable Benefits Expected**

- Increased efficiency
  - Employee and manager self-servicing
  - Agencywide information sharing
  - HR and payroll systems' continuity and reliability
  - "One VA" vision achieved through integration of HR and payroll business processes



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## AGENCY HR COTS SUMMARY—VETERANS AFFAIRS (CONTINUED)

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### Project Status to Date

- Opened shared service center
- Deployed employee self-service capability
- Deployed Avue's COHO (position classification system)
- Preparing to prototype managers self-service modules
- Preparing to prototype Avue's Casting (recruitment and staffing system)
- Total reported estimated costs incurred as of March 30, 2000: \$147M



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## AGENCY HR COTS SUMMARY—VETERANS AFFAIRS

(CONTINUED)

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- **Project status to date** (cont'd)
  - Total reported quantifiable benefits achieved as of March 30, 2000: \$172M due to reductions in FTEs (872\*) and cost avoidance relating to its legacy system

\* VA officials later told us that the original FTE reductions were cumulative rather than annual. Therefore, we revised the figure from 3,413 to 872 to reflect actual VA FTE reductions as of March 30, 2000.

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